

MORI BUNDLE #

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**MEMORANDUM FOR: Deputy Director (Plans)**

**SUBJECT : Accounting Practices for Sensitive Projects**

**REFERENCE : Memo dtd 5 May 56 to DD/P, DD/S, Chairman, Project Review Committee from DCI, subj: "Blanket Waivers"**

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1. For some time I have been concerned about the problem of adequate accounting controls for sensitive projects. A recent audit report of Project  illustrates this problem and convinces me that it is essential that we establish procedures which will ensure that the expenditure of funds, irrespective of the sensitivity of the undertaking, is supported by adequate documentation.

2. In 1954 the Inspector General, after surveying the Office of Comptroller, recommended the appointment of a joint committee by the DD/P and the DD/S to study the problem of projects given blanket waivers and to make appropriate recommendations to the Director. A committee was appointed and after studying the problem submitted recommendations to the Director, which were approved and subsequently embodied in a memorandum issued on 5 May 1956 to the DD/P, DD/S, and Chairman of the Project Review Committee. The essential points contained in this memorandum are quoted below:

"2. In the future if a project is submitted with a request for a blanket waiver, I will not consider it unless it contains one of the following:

"a. Concurrence of the Deputy Director (Support) together with a statement of the controls and support which he believes the elements under his jurisdiction should provide.

"b. A statement by the Deputy Director (Plans) that the project has not been submitted to the Deputy Director (Support) and the reasons therefor.

3. In any case in which a blanket waiver is granted, it should be considered as subject to the following conditions unless specifically exempted therefrom:

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"a. The Deputy Director (Plans), or any designee of his made responsible for funds under a project with a blanket waiver shall maintain, within the limits of operational security, records sufficient to permit an audit of accounts should such an audit at any future time be required; and

"b. Any qualifications submitted by the Deputy Director (Support), and approved by me, shall be complied with.

2. In actual practice this memorandum has been quite ineffective and projects have continued to be submitted and acted on by the Director without coordination with the DD/S. In those instances where projects have been coordinated with the DD/S, and the advice and assistance of the Comptroller have been obtained in establishing accounting controls, our problems have been minimal. On the other hand, when a waiver to normal accounting procedures is granted and the Comptroller is bypassed, experience has shown that the control, maintenance, and recording of documentation in support of expenditures and obligations are usually inadequate. Such was the case with [ ] which was approved under the following conditions:

"b. Expenditures, within the above amount, may be written off to expense on the basis of deposits and certification of the Chief, [ ] Division, that such funds have been expended for the authorized purpose of the project.